

Federal Procurement Up \$907 Million in 1999

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The federal government purchased \$25.7 billion goods and services in the Washington area in 1999, an increase of \$.9 billion over the prior year. The purchases translate into about 214,000 jobs in the private sector, or 10.5 percent of all private sector jobs in the area. The 1999 annual increase was the twentieth consecutive one. Over those twenty years the area economy benefited from a 511 percent increase in federal purchases.

The growth of procurement spending has helped offset the loss of 65,000 federal government jobs since mid-1993, during a period of federal government restructuring. This shifting of federal spending from direct employment to procurement also has helped to build the area's private sector. However, economic growth effects within the area have been uneven. Of the \$10.3 billion cumulative increase in federal procurement spending from 1992 to 1999, firms in Northern Virginia received \$6.93 billion or 67.0 percent.

Federal procurement in 1999 consisted of 88,193 contracts to firms in the Washington area, up from 86,629 in 1998. The average value of new contracts in 1999 was \$291,000, up 1.8 percent from \$285,800 in 1998.

Substate Distribution of Federal Procurement

Northern Virginia was again the big winner with \$13.5 billion or 52.7 percent of the area's total federal procurement in 1999. This is the fourth consecutive year in which Northern Virginia's share exceeded 50 percent. Fairfax County accounted for the largest increase in contract value (\$174 million), but Loudoun County

had the largest percent increase (132.0 percent) of any of the metropolitan area's jurisdictions. Northern Virginia continues to benefit from Defense Department purchases that accounted for 63.1 percent of its total. However, civilian agencies, including Agriculture, Energy, and Interior, had large increases in 1999.

The District of Columbia had a good year in 1999, with an increase of 14.9 percent from 1998 — well above the area average of 3.7 percent. The

Federal Procurement by Substate Area, FY 1999 (\$s in millions)

| Jurisdictions | FY1999 | 1998-99 Change |
|------------------------------|----------|-------------------|
| District of Columbia | \$6,289 | \$817 |
| Calvert County | 4 | - 1 |
| Charles County | 51 | 7 |
| Frederick County | 76 | 2 |
| Montgomery County | 3,444 | - 338 |
| Prince George's County | 2,279 | - 46 |
| Suburban Maryland | \$5,854 | - \$376 |
| Alexandria | \$1,119 | \$56 |
| Arlington County | 2,379 | 92 |
| Fairfax County* | 9,039 | 174 |
| Loudoun County | 261 | 148 |
| Prince William County** | 711 | - 12 |
| Stafford County | 16 | 6 |
| Northern Virginia | \$13,525 | 464 |
| Washington Area Total | \$25,668 | \$907 |

*includes Fairfax City and Falls Church

**includes Manassas City and Manassas Park

District's gains occurred in both defense (18.5%) and non-defense (14.0%). The District increased its share of the area's contract awards to \$6.3 billion or 24.5 percent, its greatest share since 1993.

Suburban Maryland declined 6 percent from 1998, reducing its share of the area's federal procurement to 22.8 percent. This decline continues a trend from a high of 31.3 percent for Suburban Maryland in 1990. Declines in civilian agencies, especially Agriculture, HHS, and Transportation, were responsible for most of the 1999 change. Montgomery County suffered the largest losses accounting for 90 percent of Suburban Maryland's overall decline.

Services and Technology Dominate Contracting

In 1999, \$17.4 billion or two-thirds of all federal procurements were for services, the remaining purchases were split between products (20.1 percent) and research and development (12.2 percent). The procurement of services was especially important in the District with 75.3 percent of all purchases for services.

Among the services, technology-related data processing and telecommunications services alone totaled \$6.1 billion, exceeding the \$5.2 billion for professional, administrative and management services. Contract awards for these two groups of services were up \$1.1 billion in 1999, for a one-year gain of 10.8 percent.

In addition to technology-related services, the federal government purchases technology products, including computer and communications equipment, software, and related supplies. These purchases totaled \$4.0 billion representing 77.2 percent of all product purchases by the federal government from area firms. While fed-

eral purchases of other categories of products declined 31.4 percent in 1999, purchases of these technology-related products increased \$498 million for a gain of 14.2 percent.

**Federal Procurement Trends by Agency
Washington Metropolitan Area, 1991-1999
(\$s in millions)**

| Agency | 1991 | 1999 | Average Annual Change |
|----------------|-----------------|-----------------|------------------------------|
| Defense | \$7,060 | \$11,808 | 8.4% |
| GSA | 1,333 | 2,913 | 14.8 |
| Treasury | 525 | 1,409 | 21.0 |
| Justice | 492 | 1,403 | 23.2 |
| HHS | 744 | 1,371 | 10.5 |
| NASA | 897 | 1,071 | 2.4 |
| Transportation | 909 | 831 | -1.1 |
| Commerce | 156 | 648 | 39.4 |
| Energy | 279 | 510 | 10.4 |
| State | 291 | 490 | 8.6 |
| All Others | 1,862 | 3,213 | 9.1 |
| Total | \$14,548 | \$25,667 | 9.6% |

Defense Contracting Continues to Decline

In 1999, Defense procurement represented 46.0 percent of all procurement in the Washington area. However, this is the lowest percentage for Defense in the nineties. The decline in Defense has been offset by double digit annual increases since 1991 in large civilian agency purchasers including the General Services Administration, Treasury, Justice, and Health and Human Services, all of which awarded more than \$1 billion in contracts to local firms in 1999.